

## Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00  
DOTE-00 FMC-01 INR-07 NSAE-00 CG-00 DLOS-09  
OES-06 L-03 /041 R

DRAFTED BY EB/TCA/MA:JAPURNELL:EW  
APPROVED BY EB/TCA/MA:CTAYLOR  
ARA/AND:SPATTERSON (SUBS)  
MARAD:RBOURDON  
ARA/ECP:DTAHER  
FMC:FHURNEY

-----091801Z 010755 /42

R 090057Z APR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY QUITO

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E.O. 11652:N/A

TAGS: EWWT, EC

SUBJECT: POTENTIAL SHIPPING DISPUTE

1. A POTENTIALLY SERIOUS SHIPPING DISPUTE APPEARS TO BE DEVELOPING IN THE US/ECUADOR OCEAN TRADES. A US-OWNED SHIPPING LINE NOW FLYING THE UK AND LIBERIAN FLAGS REPORTS THAT RESOLUTION 3/77 WAS ISSUED ON FEBRUARY 23, 1977, THAT WOULD IMPLEMENT DECREE 416 OF MAY 31, 1972. THE TWO MEASURES WOULD RESTRICT SHIPPING SERVICES BETWEEN THE US AND ECUADOR TO US AND ECUADOREAN-FLAG SHIPS, AND AFFILIATED THIRD-FLAG SHIPS.

2. THE US-OWNED LINE, COORDINATED CARIBBEAN TRANSPORT(CCT), REPORTS THAT PRUDENTIAL LINES HAS REBUFFED ATTEMPTS AT  
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AFFILIATION, AS HAS TRANSNAMES, THE ONLY ECUADOREAN-FLAG LINE THAT THE MINISTRY OF TRANSPORT REPORTEDLY WILL ALLOW CCT TO NEGOTIATE WITH. THOUGH RESOLUTION 3/77 HAS BEEN ISSUED, IT HAS NOT YET BEEN IMPLEMENTED, CCT FEARS IMPLEMENTATION AT ANY MOMENT, AND BEING SHUT OUT OF A TRADE THAT ACCOUNTS FOR ABOUT HALF THE LINES' TOTAL REVENUE.

3. BESIDES STATE, THERE ARE TWO OTHER USG AGENCIES THAT HAVE A DIRECT INTEREST IN THIS MATTER. CCT EXPECTS TO CONVERT TO A US-FLAG LINE BY JANUARY 1978. IN ORDER TO DO SO, IT IS BUILDING TWO TUG-BARGE VESSELS IN A US SHIPYARD, AT A COST OF 42 MILLION DOLLARS. THE MARITIME ADMINISTRATION OF THE DEPARTMENT OF COMMERCE IS PROVIDING 16 MILLION DOLLARS IN SUBSIDIES FOR THE CONSTRUCTION OF THE TWO VESSELS, AND HAS GUARANTEED 80 PER CENT OF THE REMAINING 26 MILLION DOLLARS IN FINANCING. IF CCT WERE TO BE SHUT OUT OF THE US/ECUADOR OCEAN TRADE UNTIL ITS US-FLAG VESSELS ENTER INTO SERVICE, THERE IS A HIGH PROBABILITY THAT IT WOULD GO BANKRUPT AND COST THE USG A CONSIDERABLE SUM OF MONEY.

4. MOREOVER, THE FEDERAL MARITIME COMMISSION, UNDER THE MERCHANT MARINE ACT, 1920, IS AUTHORIZED AND DIRECTED "TO ADJUST OR MEET GENERAL OR SPECIFIC CONDITIONS UNFAVORABLE TO THE FOREIGN TRADE....WHICH ARISE OUT OF OR RESULT FROM FOREIGN LAWS, RULES, OR REGULATIONS...." EXCLUSION OF A CARRIER, WHETHER US-FLAG OR THIRD-FLAG, FROM THE FOREIGN OCEAN COMMERCE OF THE UNITED STATES BY A FOREIGN LAW, RULE, OR REGULATION IS VIRTUALLY CERTAIN TO BE JUDGED A "CONDITION UNFAVORABLE" BY THE FMC. THE FMC CAN TAKE A BROAD RANGE OF COUNTERVAILING ACTIONS, INCLUDING EQUALIZING FEES, AGAINST THE SHIPPING LINES OF A COUNTRY THAT CREATES "CONDITIONS UNFAVORABLE."

5. ACTION REQUESTED: EMBASSY REQUESTED TO VERIFY IF DECREE 416 AND RESOLUTION 3/77 WOULD EXCLUDE CCT FROM LIMITED OFFICIAL USE

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THE TRADE, UNLESS IT WAS AFFILIATED WITH A US OR ECUADOREAN-FLAG LINE, AND TO FORWARD SOONEST OFFICIAL SPANISH-LANGUAGE COPIES OF DOCUMENTS TO EB/TCA/MA, ROOM 5826, NS.

6. ACTION REQUESTED: IF ABOVE REPORT CONFIRMED, EMBASSY SHOULD, AT ITS DISCRETION, INFORM GOE OF SERIOUSNESS WITH WHICH USG VIEWS THIS MATTER, IN VIEW OF THE LARGE AMOUNT OF MONEY IT HAS MADE AVAILABLE TO CCT THROUGH SUBSIDIES AND LOAN GUARANTEES, AND SHOULD POINT OUT THE STATUTORY OBLIGATION OF THE FMC TO REGULATE THE OCEAN COMMERCE OF THE UNITED STATES. THE USG WOULD PREFER TO SEE AN AMICABLE SETTLEMENT OF THIS MATTER, BUT THE FMC IS PREPARED TO TAKE FIRM ACTION IF, AFTER INVESTIGATION AND DUE PROCESS, IT FINDS "CONDITIONS UNFAVORABLE" EXIST IN THE US OCEAN COMMERCE.

7. ACTION REQUESTED: PLEASE REPORT SOONEST ON EFFECTS OF GOE CARGO PREFERENCE MEASURES, AND ON EMBASSY'S

APPROACH TO GOE.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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